

law described below. In addition to the approval of the holders of a majority of the voting power of all shares of Common Stock voting together as a single class, the approval of a majority of the outstanding shares of the Communications Stock or the Media Stock, voting as a separate class, would be required under Delaware law to approve any amendment to the Restated Certificate that would change the par value of the shares of the class or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely. As permitted by the DGCL, the Restated Certificate will provide that an amendment to the Restated Certificate that increases or decreases the number of authorized shares of Communications Stock or Media Stock will only require the approval of the holders of a majority of the voting power of all shares of Common Stock, voting together as a single class, and will not require the approval of the holders of the class of Common Stock affected by such amendment, voting as a separate class. Consequently, because most matters brought to a stockholder vote would only require the approval of a majority of the voting power of the Communications Stock and Media Stock, voting together as a single class, if the holders of either class of Common Stock would have more than the number of votes required to approve any such matter, the holders of that class would be in a position to control the outcome of the vote on such matter. See "Risk Factors — Limited Separate Stockholder Rights; No Additional Rights with respect to the Groups; Effects on Voting Power."

Liquidation

Currently, in the event of a liquidation or dissolution and winding-up of the Company, after payment, or provision for payment, of the debts and other liabilities of the Company and the payment of full preferential amounts (including any accumulated and unpaid dividends) to which the holders of the Existing Preferred Stock are entitled, holders of Existing Common Stock would be entitled to share ratably in the remaining net assets of the Company. Under the Recapitalization Proposal, in the event of a dissolution or liquidation and winding up of the Company, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Company and full preferential amounts (including any accumulated and unpaid dividends) to which holders of Preferred Stock are entitled (regardless of the Group to which such shares of Preferred Stock were attributed), the holders of Communications Stock and Media Stock will be entitled to receive the net assets, if any, of the Company remaining for distribution to holders of Common Stock on a per share basis in proportion to the Liquidation Units per share of each class. Each share of Communications Stock will have one Liquidation Unit and each share of Media Stock will have .80 of a Liquidation Unit. Thus, the liquidation rights of the holders of the respective classes may not bear any relationship to the relative market values or the relative voting rights of the two classes.

The Liquidation Units of the Communications Stock and the Media Stock were determined by the Company in consultation with its financial advisors and are based upon, among other factors, each Group's initial level of debt and equity capitalization, each Group's recent historical financial performance, the market prices of shares of comparable companies that are publicly traded and the current state of the markets for public offerings and other stock transactions. See "Risk Factors — No Assurance as to Market Price." The Company considers that its complete liquidation is a remote contingency, and its financial advisors believe that, in general, these liquidation provisions are immaterial to trading in Communications Stock and Media Stock. No holder of Communications Stock will have any special right to receive specific assets attributable to the Communications Group and no holder of Media Stock will have any special right to receive specific assets attributable to the Media Group in the case of a dissolution or liquidation and winding-up of the Company.

If the Company subdivides (by stock split or otherwise) or combines (by reverse stock split or otherwise) the outstanding shares of either Communications Stock or Media Stock or declares a dividend or other distribution of shares of Communications Stock or Media Stock to holders of such class of Common Stock, the number of Liquidation Units of the Communications Stock or the number of Liquidation Units of the Media Stock, as applicable, will be appropriately adjusted as determined by the Board so as to avoid any dilution in aggregate liquidation rights of either class of Common Stock. For example, in case the Company were to effect a two-for-one split of the Communications Stock, the Communications Stock would be entitled to 0.5 of a Liquidation Unit per share in order to avoid dilution in the aggregate liquidation rights of holders of Media Stock.

Neither the merger or consolidation of the Company into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Company, nor any sale, transfer or lease of all or any part of the assets of the Company, will be deemed to be a dissolution, liquidation or winding-up for purposes of the liquidation provisions set forth above.

Determinations by the Board

If the Recapitalization Proposal is approved by the shareholders and implemented by the Board, any determinations made in good faith by the Board under any provision described under “— Description of Communications Stock and Media Stock,” and any determinations with respect to any Group or the rights of holders of shares of either class of Common Stock, would be final and binding on all stockholders of the Company, subject to the rights of stockholders under applicable Delaware law and under the federal securities laws.

Preemptive Rights

Neither the holders of the Communications Stock nor the holders of the Media Stock will have any preemptive rights or any rights to convert their shares into any other securities of the Company.

Future Inter-Group Interest

The number of shares of Media Stock to be issued upon consummation of the Recapitalization Proposal will represent 100% of the equity value of the Company attributable to the Media Group. Under management policies adopted by the Board, however, the Board could, in its sole discretion, determine from time to time to contribute, as additional equity, cash or other property of the Communications Group to the Media Group or purchase shares of Media Stock in the open market with cash or other property of the Communications Group. In such event, the Communications Group would hold an Inter-Group Interest, representing an interest in the equity value of the Company attributable to the Media Group. The Board will determine, in its sole discretion, to make any such contribution or purchase after consideration of a number of factors, including, among others, the financing needs and objectives of the Media Group, the investment objectives of the Communications Group, the relative levels of internally generated cash flow of each Group, the long-term business prospects for each Group, the availability, cost and time associated with alternative financing sources, prevailing interest rates and general economic conditions. See “— Certain Management Policies — Inter-Group Financing Transactions.” An Inter-Group Interest, because it represents an interest between two business groups within the Company, would not constitute outstanding shares of Common Stock and, accordingly, would not be represented by shares of Media Stock and would not be voted on any matter by the Communications Group, including any matter requiring the vote of the holders of Media Stock as a separate class. However, the Market Value attributable to the Inter-Group Interest should be reflected in the Market Value of the Communications Stock, which in turn would affect the aggregate voting power represented by the Communications Stock on any matter in which holders of Communications Stock and Media Stock vote together as a single class.

The “Outstanding Media Fraction” means the percentage interest in the Media Group represented at any time by the outstanding shares of Media Stock and the “Inter-Group Interest Fraction” means the remaining percentage interest in the Media Group that is attributed to the Communications Group. The sum of the Inter-Group Interest Fraction and the Outstanding Media Fraction will

always equal 100%. The “Number of Shares Issuable with Respect to the Inter-Group Interest” means the number of shares of Media Stock that could be sold or otherwise issued by the Company for the account of the Communications Group in respect of the Inter-Group Interest.

If there is an Inter-Group Interest and additional shares of Media Stock are subsequently issued from time to time by the Company, the Board would determine (i) the number of shares of such Media Stock issued for the account of the Communications Group with respect to the Inter-Group Interest, the net proceeds of which will be reflected entirely in the financial statements of the Communications Group, and (ii) the number of shares of such Media Stock issued for the account of the Media Group as an additional equity interest in the Media Group, the net proceeds of which will be reflected entirely in the financial statements of the Media Group. As additional shares of Media Stock are issued for the account of the Communications Group, the Inter-Group Interest Fraction and the Number of Shares Issuable with Respect to the Inter-Group Interest would decrease and the Outstanding Media Fraction would increase accordingly. At the time all shares of Media Stock issuable with respect to the Inter-Group Interest are issued, the Number of Shares Issuable with Respect to the Inter-Group Interest would be zero and shares of Media Stock could no longer be issued for the account of the Communications Group. If additional shares of Media Stock are issued for the account of the Media Group, the Number of Shares Issuable with Respect to the Inter-Group Interest would not decrease but the Inter-Group Interest Fraction would nonetheless decrease and the Outstanding Media Fraction would increase accordingly.

If there is an Inter-Group Interest and the Board determines to issue shares of Media Stock as a distribution on the Communications Stock, such distribution would be treated as a distribution of shares issuable with respect to the Inter-Group Interest, and as a result, the Number of Shares Issuable with Respect to the Inter-Group Interest would decrease by the number of shares of Media Stock distributed to the holders of Communications Stock, resulting in a proportionate decrease in the Inter-Group Interest Fraction and a corresponding increase in the Outstanding Media Fraction.

If there is an Inter-Group Interest and the Company repurchases shares of Media Stock with cash or property of the Communications Group, the Number of Shares Issuable with Respect to the Inter-Group Interest and the Inter-Group Interest Fraction would increase and the Outstanding Media Fraction would decrease accordingly. If the repurchase of shares of Media Stock were attributed to the Media Group, the Number of Shares Issuable with Respect to the Inter-Group Interest would not increase but the Inter-Group Interest Fraction would nonetheless increase and the Outstanding Media Fraction would decrease accordingly.

The foregoing determinations with respect to the allocation of issuances of shares of Media Stock between the Groups and the choice of which Group’s funds are to be used to repurchase shares of Media Stock will be made by the Board, in its discretion, after consideration of a number of factors, including, among others, the relative levels of internally generated cash flow of each Group, the long-term business prospects for each Group, and the availability and cost of alternative financing sources.

The financial statements of the Communications Group will be credited, and the financial statements of the Media Group will be charged with, an amount equal to the product of (i) the Fair Value of any dividend or other distribution paid or distributed in respect of the outstanding shares of Media Stock (including any dividend of Net Proceeds from a Disposition), times (ii) a fraction, the numerator of which is the Inter-Group Interest Fraction on the record date for such dividend or distribution and the denominator of which is the the Outstanding Media Fraction on the record date for such dividend or distribution.

For further discussion of, and illustrations of the calculation of the Inter-Group Interest Fraction, the Outstanding Media Fraction and the Number of Shares Issuable with Respect to the Inter-Group Interest and the effects thereon of dividends on, and issuances and repurchase of, shares of Media Stock, and transfers of cash or other property between Groups, see Annex VIII hereto.

Stock Transfer Agent and Registrar

State Street Bank and Trust Company is the registrar and transfer agent for the Existing Common Stock. If the Recapitalization Proposal is approved by the shareholders and implemented by the Board, State Street Bank and Trust Company will be selected as the registrar and transfer agent for the Communications Stock and the Media Stock.

Stock Exchange Listings

The NYSE and the PSE have approved, subject to official notice of issuance, the redesignation of the Existing Common Stock as Communications Stock, which will continue to trade under the symbol "USW," and the listing of the Media Stock under the symbol "UMG." Application will be made to the London Stock Exchange, the Amsterdam Stock Exchange, the Basel Stock Exchange, the Geneva Stock Exchange and the Zurich Stock Exchange to provide for similar redesignations and listings.

Financial Advisors

Lehman Brothers Inc. is acting as lead financial advisor and Morgan Stanley & Co. Incorporated is acting as co-advisor to the Company in connection with the Recapitalization Proposal. Both advisors are assisting the Company in the solicitation of proxies. The Company has, to date, paid Lehman Brothers Inc. \$500,000 for its services and will pay Lehman Brothers Inc. an additional \$750,000 upon the mailing of this Proxy Statement and an additional \$2.75 million if the Recapitalization Proposal is approved by the Company's shareholders. The Company has agreed to pay Morgan Stanley & Co. Incorporated \$2 million for its services. The Company has also agreed to reimburse Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated for certain of their reasonable out-of-pocket expenses (including fees and expenses of their legal counsel) and has agreed to indemnify Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated against certain liabilities, including liabilities under the Securities Act.

Comparison of Shareholder Rights

At the Effective Time, the shareholders of U S WEST will become stockholders of U S WEST Delaware, a corporation governed by Delaware law and the Restated Certificate and New Bylaws. The following discussion summarizes the material differences between the rights of holders of the Existing Common Stock and holders of the Common Stock of U S WEST Delaware, based on a comparison of the Colorado and Delaware corporation laws and the charters and bylaws of U S WEST and U S WEST Delaware. **For additional information regarding the specific rights of holders of Existing Common Stock and holders of Common Stock of U S WEST Delaware, see "— Description of Communications Stock and Media Stock."** This summary does not purport to be complete and is qualified in its entirety by reference to the Articles and Existing Bylaws, the Restated Certificate and New Bylaws and the relevant provisions of the CBCA and the DGCL. Except as provided below, the relevant provisions of the Restated Certificate and the New Bylaws are substantially similar to those of the Articles and Existing Bylaws.

Voting Groups

Under the CBCA, U S WEST's shareholders are entitled to vote in voting groups in certain circumstances. A voting group consists of all the shares of a class or series that, under the Articles or under the CBCA, are entitled to vote and be counted together collectively on a matter at a meeting of shareholders. If multiple voting groups are entitled to vote on a matter, favorable action on the matter is taken only when it is approved by each such voting group. Although the Existing Common Stock is the only voting stock of U S WEST and the Articles do not provide for voting by voting groups, the Existing Series B Preferred Stock as well as any other class or series of capital stock that may be issued by U S WEST in the future is entitled to vote separately as a voting group under the CBCA in connection with certain amendments to the Articles and certain plans of merger and share exchange. See "**— Amendments to Articles of Incorporation and Certificate of Incorporation**" and "**— Vote Required for Merger and Certain Other Transactions.**"

The DGCL has no equivalent provisions for voting groups. Under the Restated Certificate, until such time as the Board may designate a series of Preferred Stock that has the right to vote together with the Communications Stock and the Media Stock, the Communications Stock and the Media Stock will be the only classes of voting stock of U S WEST Delaware. Under the DGCL, however, the Series C Preferred Stock will have the right to vote separately as a class in connection with certain amendments to the Restated Certificate. See “— Amendments to Articles of Incorporation and Certificate of Incorporation.”

Amendments to Articles of Incorporation and Certificate of Incorporation

Under the CBCA, an amendment to the Articles (with certain exceptions) must be proposed by the Board or the holders of shares representing at least ten percent of all of the votes entitled to be cast on the amendment, and must then be approved by (i) the holders of two-thirds of the votes entitled to be cast on the amendment by any voting group with respect to which the amendment would create dissenters' rights, if any, under the CBCA and (ii) the holders of two-thirds of all votes cast within each other voting group entitled to vote on the amendment. In addition, the Articles require the approval of the holders of 80% of the outstanding shares of stock entitled to vote thereon to amend the provisions thereof relating to certain business combinations, amendments to Bylaws, the composition of the Board and the removal of directors. If U S WEST were to remain a Colorado corporation and redesignate the Existing Common Stock as the Communications Stock and create a new class of Media Stock through an amendment of the Articles, such amendment would require the approval of the holders of two-thirds of the outstanding shares of Existing Common Stock but would not require the approval of holders of the outstanding shares of Existing Series B Preferred Stock.

Under the CBCA, all of the holders of Existing Common Stock, and each holder of shares of an affected class or series of stock, voting in separate voting groups, are entitled to vote on any amendment of the Articles that would (i) increase or decrease the aggregate number of authorized shares of the class or series; (ii) effect an exchange or reclassification of all or part of the shares of the class or series into shares of another class or series; (iii) effect an exchange or reclassification, or create the right of exchange, of all or part of the shares of another class or series into shares of the class or series; (iv) change the designation, preferences, limitations, or relative rights of all or part of the shares of the class or series; (v) change the shares of all or part of the class or series into a different number of shares of the same class; (vi) create a new class of shares having rights or preferences with respect to distributions or dissolution that are prior, superior or substantially equal to the shares of the class or series; (vii) increase the rights, preferences, or number of authorized shares of any class or series that, after giving effect to the amendment, have rights or preferences with respect to distributions or to dissolutions that are prior, superior, or substantially equal to the shares of the class or series; (viii) limit or deny an existing preemptive right of all or part of the shares of the class or series; or (ix) cancel or otherwise affect rights to distributions or dividends that have accumulated but have not yet been declared on all or part of the shares of the class or series.

Under the DGCL and the Restated Certificate, amendments to the Restated Certificate must be adopted by the Board and must then be approved by the holders of a majority of the voting power of the outstanding shares of stock entitled to vote thereon except that amendments of the provisions relating to certain business combinations, amendments to Bylaws, the composition of the Board, the removal of directors and stockholder actions and meetings require the approval of the holders of 80% of the voting power of the outstanding shares of stock entitled to vote thereon. The DGCL requires the approval of a majority of the outstanding shares of a class of stock, voting as a separate class, for any amendment that increases or decreases the number of authorized shares of that class, changes the par value of that class or adversely affects the powers, preferences or special rights of that class. As permitted under the DGCL, the Restated Certificate will provide that an amendment that increases or decreases the number of authorized shares of Communications Stock or Media Stock will only require the approval of the holders of a majority of the voting power of all shares of Common Stock, voting together as a single class, and will not require the approval of the holders of the class of Common Stock affected by such amendment, voting as a separate class.

Amendments to Bylaws

Under the CBCA and the Existing Bylaws, the Existing Bylaws may be adopted, amended, altered, changed or repealed by either the affirmative vote of the holders of 80% of the outstanding shares of stock entitled to vote thereon or by the affirmative vote of two-thirds of the members of the Board.

As permitted under the DGCL, the Restated Certificate and New Bylaws will provide that bylaws may be adopted, amended, or repealed by either the affirmative vote of the holders of 80% of the voting power of the outstanding shares of stock entitled to vote thereon or by the affirmative vote of two-thirds of the members of the Board.

Vote Required for Merger and Certain Other Transactions

Under the CBCA and the Articles, a plan of merger or share exchange or a transaction involving the sale, lease, exchange or other disposition of all or substantially all of U S WEST's property must be adopted by the Board and then approved by each voting group entitled to vote separately on such plan, share exchange or transaction by the holders of a majority of all the votes entitled to be cast on such plan, share exchange or transaction by that voting group. The CBCA requires separate voting by voting groups (i) on a plan of merger if the plan contains a provision that, if contained in an amendment to the Articles, would require action by separate voting groups, and (ii) on a plan of share exchange by each class or series of shares included in the share exchange, with each class or series constituting a separate voting group.

Under the DGCL, an agreement of merger or a sale, lease or exchange of all or substantially all of U S WEST Delaware's assets must be approved by the Board and then adopted by the holders of a majority of the voting power of the outstanding shares of stock entitled to vote thereon. Under the Recapitalization Proposal, the disposition of all the assets attributed to a Group requires certain actions by the Company. See "— Description of Communications Stock and Media Stock — Conversion and Redemption."

Directors

The Articles provide that the number of directors shall not be less than six nor more than 17 and shall be fixed by the Existing Bylaws. The Existing Bylaws currently fix the number of directors at 13. As permitted under the CBCA, the Articles and Existing Bylaws divide the Board into three classes, with each class being as nearly equal in number as possible. The term of the classes are staggered so that at each annual meeting of shareholders of U S WEST, one class of directors is elected for a three-year term or until their resignation, removal or retirement, if earlier.

As permitted under the DGCL, the Restated Certificate and New Bylaws will establish a classified board substantially similar to that established by the Articles and Existing Bylaws.

Removal of Directors

Under the CBCA and the Articles, no member of the Board may be removed unless such removal is approved by the holders of 80% of the outstanding shares of stock entitled to vote thereon. In addition, a director may be removed by the district court of the county in Colorado in which U S WEST's principal or registered office is located, in a proceeding commenced either by U S WEST or by shareholders holding at least ten percent of the outstanding shares of any class, if the court finds that the director engaged in fraudulent or dishonest conduct or gross abuse of authority or discretion with respect to U S WEST, and that removal is in U S WEST's best interests.

Under the DGCL and the Restated Certificate, directors may be removed only for cause and only if such removal is approved by the holders of 80% of the voting power of the outstanding shares of stock entitled to vote thereon.

Newly Created Directorships and Vacancies

Under the Existing Bylaws, vacancies in the Board may be filled by the affirmative vote of a majority of the directors then in office, even if less than a quorum, and newly created directorships

resulting from an increase in the number of directors, including an increase effected by the Board, may be filled by the affirmative vote of a majority of the directors then in office or by an election at an annual meeting or special meeting of shareholders called for that purpose.

Under the Restated Certificate and New Bylaws, vacancies and newly created directorships resulting from any increase in the number of directors, including an increase effected by the Board, will be filled by a majority of the directors then in office, even if less than a quorum, or by the sole remaining director. Under the DGCL, if, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of stockholders holding at least 10% of the total number of outstanding shares having the right to vote for such directors, order that an election by the stockholders be held to fill any such vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

Cumulative Voting

As permitted under the CBCA, the Articles expressly provide that there shall be no cumulative voting in the election of directors.

Under the DGCL, stockholders are not entitled to cumulative voting in the election of directors unless specifically provided for in the certificate of incorporation. The Restated Certificate will not provide for cumulative voting in the election of directors.

Limitation on Director's Liability

As permitted by both the CBCA and the DGCL, both the Articles and the Restated Certificate eliminate or limit the personal liability of a director to U S WEST and U S WEST Delaware, respectively, or its shareholders for monetary damages based on such director's breach of fiduciary duty, provided that a director's liability is not eliminated or limited for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for certain excess or prohibited distributions, or for any transaction for which the director derived an improper personal benefit.

Indemnification of Directors and Officers

The CBCA and the DGCL contain generally similar provisions for the indemnification of directors and officers. The CBCA permits indemnification of a director in connection with conduct in an official capacity only if the director reasonably believed that his or her conduct was in the best interests of the corporation. The DGCL permits such indemnification if the director reasonably believed that such conduct was in or not opposed to the best interests of the corporation. The CBCA generally precludes indemnification if there is an adjudication of liability that the director obtained an improper personal benefit. The DGCL does not specifically deal with cases of improper personal benefit. Neither the CBCA nor the DGCL permits a corporation to indemnify directors against judgments in actions brought by or in the right of the corporation in which such director was adjudged liable to the corporation, and the DGCL extends such limitation to indemnification of officers. However, both the CBCA and the DGCL permit indemnification for reasonable expenses in such situations if the indemnification is ordered by a court. Both the CBCA and the DGCL permit the corporation to advance expenses upon an undertaking for their repayment if the person receiving the advance is not ultimately entitled to indemnification. The CBCA prohibits provisions in articles of incorporation, bylaws, or contracts that are inconsistent with the statutory provisions, while the DGCL specifies that the statutory provisions are not exclusive of other rights to indemnification or advancement of expenses that may be provided by bylaws, agreements, votes of stockholders or disinterested directors, or otherwise.

The Existing Bylaws provide, and the New Bylaws will provide, that the Company will indemnify any person against any damage, judgment, settlement, penalty, fine, cost or expense (including attorneys' fees), incurred in connection with any proceeding in which the person may be involved as a party or otherwise, by reason of the fact that such person is or was serving as a director, officer,

employee, or agent of the Company or, at the request of the Company, as a director, officer, employee, agent, fiduciary, or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other entity or enterprise, except to the extent that any such indemnification against a particular liability is expressly prohibited by applicable law or where a judgment or other final adjudication adverse to the indemnified person establishes, or where the corporation determines, that such person's acts or omission (i) were in breach of such person's duty of loyalty to the corporation or its shareholders, (ii) were not in good faith or involved intentional misconduct or a knowing violation of law, or (iii) resulted in receipt by such person of an improper personal benefit. The Existing Bylaws require, and the New Bylaws will require, the Company to pay reasonable expenses in advance of the final disposition of such proceeding to the fullest extent permitted by law.

Special Meetings of Shareholders; Action by Consent

Under the CBCA and the Existing Bylaws, a special meeting of the shareholders of U S WEST may be called for any purpose by the Chairman of the Board or by the Board, and must be called by the Chairman of the Board at the request of the holders of not less than 10% of all votes entitled to be cast on any issue proposed to be considered at such meeting. Under the CBCA, unless the articles of incorporation require that action be taken at a shareholders' meeting, any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting if all of the shareholders entitled to vote thereon consent to such action in writing. The Articles do not contain provisions regarding shareholder actions by written consent.

As permitted under the DGCL, the Restated Certificate and the New Bylaws will provide that special meetings of stockholders of U S WEST Delaware may be called only by the Chairman of the Board or by the Board. No actions will be considered at a special meeting other than those specified in the notice thereof. Additionally, under the Restated Certificate, stockholder action will be permitted only at an annual or special meeting of stockholders and not by written consent.

Shareholder Proposals and Nominations

The Existing Bylaws provide that no proposal for action may be presented by any shareholder of U S WEST at an annual or special meeting of shareholders unless such proposal has been submitted in writing to U S WEST and received by the Secretary at least 30 days prior to the date of such annual or special meeting and such proposal is an appropriate subject of shareholder action. In addition, such shareholder must provide certain specified information regarding such shareholder's shareownership and interest in such proposal.

The New Bylaws will provide that a stockholder may present a proposal for action at an annual meeting of stockholders of U S WEST Delaware only if the stockholder submitting such proposal has delivered a written notice on the proposal, together with certain specified information relating to such stockholder's stock ownership and identity, to the Secretary of U S WEST Delaware at least 60 days before the annual meeting. In addition, the New Bylaws will provide that a stockholder may nominate individuals for election to the Board at any annual meeting or special meeting of stockholders at which directors are to be elected by delivering written notice, containing certain specified information with respect to the nominee and nominating stockholder, to the Secretary of U S WEST Delaware at least 60 days before the annual meeting or within 15 days following the announcement of the date of the special meeting.

Business Combinations Following a Change in Control

The CBCA does not contain any special provisions for business combinations following a change in control of U S WEST. The Articles, however, include a "fair price provision" which requires the affirmative vote of the holders of 80% of the outstanding shares of Existing Common Stock to approve certain business combinations (including certain mergers, security issuances, recapitalizations, and the sale, lease or transfer of a substantial part of U S WEST's assets) involving U S WEST or a subsidiary and an owner of ten percent or more of the outstanding Existing Common Stock (a "related person"), unless either (i) such business combination is approved by a majority of the directors who

are unaffiliated with the related person and who were directors prior to the time such owner became a related person or (ii) the shareholders receive a "fair price" (as defined therein) for their holdings and other procedural requirements are met.

Section 203 of the DGCL prohibits certain transactions between a Delaware corporation, the shares of which are listed on a national securities exchange, and an "interested stockholder," unless the certificate of incorporation of the corporation contains a provision expressly electing not to be governed by Section 203. The Restated Certificate will not contain such an election. An "interested stockholder" includes a person that is directly or indirectly a beneficial owner of fifteen percent or more of the voting power of the outstanding voting stock of the corporation and such person's affiliates and associates. The provision prohibits certain business combinations between an interested stockholder and a corporation for a period of three years after the date the interested stockholder became an interested stockholder, unless (i) the business combination is approved by the corporation's board of directors prior to the date such stockholder became an interested stockholder, (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation in the transaction in which such stockholder became an interested stockholder or (iii) the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the outstanding stock that is not owned by the interested stockholder.

In addition, the Restated Certificate will contain the same "fair price provision" as the provision in the Articles described above.

Dissenters' Rights

Under the CBCA, a shareholder who complies with prescribed statutory procedures, whether or not entitled to vote, is entitled to dissent and obtain payment of the fair value of his or her shares in the event of (i) consummation of a plan of merger to which U S WEST is a party, if approval by U S WEST's shareholders is required for the merger or if U S WEST were a subsidiary that was merged with its parent corporation, (ii) consummation of a plan of share exchange to which U S WEST is a party as the corporation whose shares will be acquired, (iii) consummation of a sale, lease, exchange, or other disposition of all, or substantially all, of U S WEST's property if a shareholder vote is required for such disposition, (iv) consummation of a sale, lease, exchange, or other disposition of all, or substantially all, of the property of an entity controlled by U S WEST if U S WEST's shareholders are entitled to vote on whether U S WEST will consent to the disposition, (v) an amendment to the Articles that materially and adversely affects rights in respect of the shareholder's shares because it (a) alters or abolishes a preferential right of the shares; or (b) creates, alters, or abolishes a right of redemption in the shares, and (vi) an amendment to the Articles that affects rights of the shareholder's shares because it (x) excludes or limits the right of the shares to vote on any matter or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or (y) reduces the number of shares owned by the shareholder to a fraction of a share or to scrip if that fractional share or scrip is to be acquired for cash or the scrip is to be voided. See "Proposal 1 — The Recapitalization Proposal — Dissenters' Rights" for a description of the procedures to be followed by a shareholder who wishes to dissent from the Recapitalization Proposal.

Generally, stockholders of a Delaware corporation who object to certain mergers or consolidations of the corporation are entitled to appraisal rights, requiring the surviving corporation to pay the fair value of the dissenting shares. There are, however, no statutory rights of appraisal with respect to stockholders of a Delaware corporation whose shares of stock are either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 stockholders. In addition, no appraisal rights shall be available for any shares of stock of a surviving corporation in a merger if the merger did not require the approval of the stockholders of such corporation. Further, Delaware Law does not provide appraisal rights to stockholders who dissent from the sale of all or substantially all of the corporation's assets unless the certificate of incorporation provides otherwise. The Restated Certificate will not provide for appraisal rights upon the sale of all or substantially all of the assets of U S WEST Delaware.

Dividends

Under the CBCA, a dividend may be paid on the Existing Common Stock unless, after payment of the dividend, (i) U S WEST would not be able to pay its debt as they become due in the usual course of business or (ii) U S WEST's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if U S WEST were dissolved, to satisfy the preferential rights of shareholders whose preferential rights are superior to those holders receiving the dividend.

Under the DGCL, a dividend may be paid on the Common Stock out of either surplus (defined as the excess of net assets over capital) or if no surplus exists, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Dividends may not be paid on such stock out of surplus if the capital of U S WEST Delaware is less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. The payment of dividends on each class of Common Stock will also be restricted by provisions in the Restated Certificate. See "— Description of Communications Stock and Media Stock — Dividends."

Stock Repurchases

Under the CBCA, U S WEST may purchase, redeem or otherwise acquire its own shares, unless after giving effect thereto, (i) U S WEST would not be able to pay its debts as they become due in the usual course of business or (ii) U S WEST's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if U S WEST were dissolved, to satisfy the preferential rights of shareholders whose preferential rights are superior to those holders whose shares are to be acquired.

Under the DGCL, U S WEST Delaware may purchase, redeem or otherwise acquire its own shares. However, U S WEST Delaware may not (i) purchase or redeem its own shares of capital stock for cash or other property when the capital of the corporation is impaired or when such purchase or redemption would cause any impairment of the capital of the corporation, except that a corporation may purchase or redeem out of capital any of its own shares which are entitled upon any distribution of its assets, whether by dividend or in liquidation, to a preference over another class or series of its stock, if such shares will be retired upon their acquisition and the capital of the corporation reduced; or (ii) purchase, for more than the price at which they may then be redeemed, any of its shares which are redeemable at the option of the corporation.

Related Party Transactions

Under the CBCA, no contract or transaction between U S WEST and one or more of its directors or officers, or between U S WEST and any other corporation, partnership, association, or other organization in which one or more of U S WEST's directors or officers are directors or officers, or have a financial interest, is void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because such director's votes are counted for that purpose, if: (i) the material facts as to such director's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors constitute less than a quorum; (ii) the material facts as to such director's relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair to the corporation as of the time it is authorized, approved or ratified by the Board, a committee thereof, or the holders of the Existing Common Stock.

In addition, under the CBCA, the Board or a committee thereof may not authorize a loan by U S WEST to a U S WEST director or to an entity in which a U S WEST director is a director or officer or has a financial interest, or a guaranty by U S WEST of an obligation of a U S WEST director or of an

obligation of an entity in which a U S WEST director is a director or officer or has a financial interest, until at least ten days after written notice of the proposed authorization of the loan or guaranty has been given to the holders of the Existing Common Stock.

The DGCL contains provisions regarding transactions with directors that are substantially similar to those of the CBCA. In addition, the DGCL provides that U S WEST Delaware may loan money to, or guaranty any obligation incurred by, its officers (including those who are also directors) if, in the judgment of the Board, such loan or guarantee may reasonably be expected to benefit U S WEST Delaware.

Corporate Records; Shareholder Inspection

Under the CBCA, a shareholder is entitled to inspect and copy, during regular business hours at U S WEST's principal office, the Articles, the Existing Bylaws, minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting for the past three years, all written communications within the past three years to shareholders as a group, a list of the names and business addresses of current directors and officers, a copy of the most recent corporate report delivered to the Colorado Secretary of State, and certain financial statements of U S WEST prepared for periods ending during the last three years. In addition, a shareholder who (i) has been a U S WEST shareholder for at least three months or who is a holder of at least five percent of all of the outstanding shares of any class of U S WEST's shares, (ii) makes a demand in good faith and for a purpose reasonably related to the shareholder's interest as a shareholder, (iii) describes with reasonable particularity the purpose and the records the shareholder desires to inspect, and (iv) requests records that are directly connected with the described purpose, is entitled to inspect and copy: excerpts from minutes or records of any Board meeting or action, excerpts from minutes or records of any shareholders' meeting or action, excerpts of records of any action of a Board committee, waivers of notices of any shareholder, Board or Board Committee meeting, accounting records of the corporation, and records of the names and addresses of shareholders.

Under the DGCL, any stockholder of U S WEST Delaware, in person or by attorney or other agent, may, during the usual hours for business, inspect for any proper purpose, the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom.

Preemptive Rights

As permitted by the CBCA, the Articles provide that shareholders shall have no preemptive right to acquire additional unissued or treasury shares of U S WEST or securities convertible into shares or carrying stock purchase warrants or privileges.

Under the DGCL, the stockholders of U S WEST Delaware do not have preemptive rights unless specifically granted in the certificate of incorporation. The Restated Certificate will not grant stockholders preemptive rights.

Certain Federal Income Tax Considerations

The Company has received an opinion from its counsel, Weil, Gotshal & Manges, that, for federal income tax purposes, neither the Merger, nor the distribution of the Communications Stock and the Media Stock pursuant to the Merger, should be treated as taxable events to the shareholders or the Company. The Company will not apply for an advance tax ruling from the Service because the Service has announced that it will not issue advance rulings on the classification of stock with characteristics similar to those of the Communications Stock and the Media Stock.

The following general discussion summarizes the federal income tax consequences of the Recapitalization Proposal. The discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Department regulations, published positions of the Service, and court decisions now in effect, all of which are subject to change. In particular, Congress could enact legislation affecting the treatment of stock with characteristics similar to the Communications Stock and the

Media Stock, or the Treasury Department could change the current law in future regulations, including regulations issued pursuant to its authority under Section 337(d) of the Code. Any future legislation or regulations could be enacted or promulgated to apply retroactively to the Recapitalization Proposal. However, the Company believes, based on the advice of counsel, that it is unlikely that such legislation or regulations would apply retroactively.

This discussion addresses only those shareholders who hold their Existing Common Stock and would hold their Communications Stock and Media Stock as a capital asset within the meaning of Section 1221 of the Code and is included for general information only. It does not discuss all aspects of federal income taxation that may be relevant to a particular shareholder in light of his or her personal tax circumstances and does not apply to certain types of shareholders which may be subject to special treatment under the federal income tax laws, including, without limitation, tax-exempt organizations, S corporations and other pass-through entities, mutual funds, small business investment companies, regulated investment companies, insurance companies and other financial institutions, broker-dealers, and persons that hold their Existing Common Stock as part of a straddle, hedging or conversion transaction. In addition, neither foreign, state or local tax consequences nor estate and gift tax considerations are discussed. **SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH REGARD TO THE APPLICATION OF THE FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATION, AS WELL AS TO THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS TO WHICH THEY MAY BE SUBJECT.**

Tax Implications of the Recapitalization Proposal to the Shareholders

Receipt of Communications Stock and Media Stock Pursuant to the Merger. In counsel's opinion, the Merger will constitute a tax-free reorganization within the meaning of Section 368 of the Code and each of the Communications Stock and the Media Stock should, for federal income tax purposes, be treated as common stock of the Company. Accordingly, a shareholder should not recognize any gain or loss on the exchange of such shareholder's Existing Common Stock for Communications Stock and Media Stock. As a result, the basis of the Existing Common Stock held by a shareholder immediately before the Merger would be allocated between the Communications Stock and the Media Stock received in proportion to the fair market value of such Communications Stock and Media Stock and, assuming that the Existing Common Stock was a capital asset in the hands of the shareholder on the Effective Date, the holding period of the Communications Stock and the Media Stock would include the holding period of the Existing Common Stock. Any shareholders of the Company who exercise dissenters' rights will recognize gain or loss equal to the difference between the amount of cash received and their basis in the shares surrendered, which gain or loss will be capital gain or loss if the Existing Common Stock was held as a capital asset.

Shareholders of the Company should be aware that there are no federal income tax regulations, court decisions, or published Service rulings bearing directly on the effect of the dividend and certain other features of the Communications Stock and the Media Stock. In addition, the Service announced during 1987 that it was studying the federal income tax consequences of stock which has certain voting and liquidation rights in an issuing corporation, but whose dividend rights are determined by reference to the earnings and profits of a segregated portion of the issuing corporation's assets, and would not issue any advance rulings regarding such stock. Earlier this year, the Service withdrew such stock from its list of matters under consideration and reiterated that it would not issue advance rulings regarding such stock. Therefore, the Service may take the position that the Communications Stock or the Media Stock represents property other than stock of the Company. Were the Communications Stock or the Media Stock treated as property other than stock of the Company, the receipt of one or both such classes of stock might be treated as a fully taxable dividend to the shareholders in an amount equal to the fair market value of such stock. While counsel recognizes that this matter cannot be viewed as free from doubt because there is no conclusive authority dealing with the precise facts presented by the Recapitalization Proposal, counsel believes that if the status of the Communications Stock or the Media Stock as common stock of the Company for federal income tax purposes were challenged, a court would agree with counsel's conclusions.

Receipt of Rights Pursuant to the Restated Rights Agreement. Pursuant to a published ruling by the Service, the adoption of a plan similar to the Restated Rights Agreement (as defined below) which provides a corporation's shareholders with certain rights to purchase additional shares of stock upon the occurrence of certain events does not constitute a distribution of stock or property by the corporation, an exchange of property or stock, or any other event giving rise to the realization of gross income by any shareholder. Based on this published position, the proposed amendment and restatement of the Rights Agreement and the conversion of the Existing Rights into a Communications Right and a Media Right (with each such right attached to the certificate representing the share of Common Stock to which it relates) will not result in recognition of income or gain to the shareholders.

Sale or Exchange of Communications Stock or Media Stock. Upon the taxable sale or exchange of Communications Stock or Media Stock, including pursuant to the Odd-Lot Program, a shareholder will recognize gain or loss. Such gain or loss would be equal to the difference between (i) any cash received plus the fair market value of any other consideration received and (ii) the tax basis of the Communications Stock or the Media Stock, determined as described in " — Receipt of Communications Stock and Media Stock Pursuant to the Merger" above, that was sold or exchanged. Any gain or loss on the taxable sale or exchange of the Communications Stock or the Media Stock would be a capital gain or loss, assuming that such Communications Stock or Media Stock was held as a capital asset by the shareholder on the date of the sale or exchange.

If the Company redeems the Communication Stock or the Media Stock for shares of the Communications Group Subsidiaries or the Media Group Subsidiaries, respectively, it intends to do so in a manner that will be tax free under Section 355 of the Code. If the redemption does not qualify under Section 355 of the Code, then (i) the Company could recognize gain on the distribution of stock of the Communications Group Subsidiaries or the Media Group Subsidiaries, as the case may be, in an amount equal to the difference between the fair market value of such stock distributed and the Company's tax basis in such stock, and (ii) the holders of the Communications Stock or the Media Stock, as the case may be, could, depending on their individual circumstances, either (a) recognize gain or loss on the redemption in an amount equal to the difference between the fair market value of the stock received and the stockholders' tax basis in their shares being redeemed or (b) be treated as having received a taxable dividend in an amount equal to the fair market value of the stock.

Any conversion of one class of Common Stock into the other class of Common Stock upon the Company's exercise of any of its rights to do so should constitute a tax-free exchange to the exchanging shareholders, with a carryover adjusted tax basis in their newly-received Common Stock and generally a tacked holding period from the stock they previously held.

State Street Bank and Trust Company has indicated its willingness, on a best efforts basis, to facilitate exchanges of shares of one class of Common Stock for shares of the other class of Common Stock. Stockholders who have an interest in such an exchange should contact State Street Bank and Trust Company or their broker. Although the Company believes that an exchange by stockholders of shares of one class of Common Stock for shares of the other class of Common Stock likely would qualify as a tax-free exchange under Section 1036 of the Code, stockholders should be aware that this conclusion is not free from doubt. Accordingly, stockholders should consult their tax advisors regarding the tax consequences of such an exchange.

Adjustments to Convertible Securities. In general, if a corporation has outstanding convertible or exchangeable securities and distributes shares of its stock with respect to the stock into which such securities are convertible or exchangeable, the distribution may result in a taxable stock dividend to the participating shareholders where the distribution results in an increase in the shareholders' proportionate interest in the assets or earnings and profits of the corporation. A distribution of stock, however, will not result in a taxable stock dividend if the conversion price or conversion ratio of the convertible or exchangeable securities is fully adjusted to compensate for the dilution caused by the stock distribution.

If the Recapitalization Proposal is approved by stockholders, any outstanding Convertible Securities convertible into Existing Common Stock will become convertible into a combination of Communications Stock and Media Stock. As a result, the shareholders of the Company should not be deemed to realize a taxable stock dividend in the Recapitalization Proposal. Moreover, to the extent that, in connection with such transaction, the right to convert such Convertible Securities is adjusted only as necessary to prevent dilution, such adjustment should not be deemed a taxable stock distribution to the holders of Convertible Securities.

United States Alien Holders. Dividend payments received by a United States Alien holder of the Communications Stock or Media Stock with respect to such stock will be subject to United States federal withholding tax in the same manner as such holder is subject to federal withholding tax on his, her or its Existing Common Stock. A United States Alien will not be subject to United States federal income or withholding tax on any gain realized on the taxable sale or exchange of Communications Stock or Media Stock, unless (a) the gain is derived from sources within the United States and the United States Alien is an individual who was present in the United States for 183 days or more during the taxable year, (b) such gain is effectively connected with a United States trade or business of the United States Alien or (c) the stock sold or exchanged is a "United States Real Property Interest" as defined in Section 897(c)(1) of the Code at any time during the five years prior to the sale or exchange of the stock or at any time during the time that the United States Alien held such stock, whichever time is shorter. The Communications Stock and the Media Stock will be a United States Real Property Interest only if, at any time during such period, the Company is a "United States real property holding corporation" as defined in Section 897(c)(2) of the Code and the United States Alien directly or constructively owned more than 5% of that class of stock of the Company being sold or exchanged. The Company believes that it is not, has not been and will not become a "United States real property holding corporation" for federal income tax purposes.

A "United States Alien" is any person who, for United States federal income tax purposes, is a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary or a foreign estate or trust, or a foreign partnership that includes as a member any of the foregoing persons.

Backup Withholding. Certain noncorporate holders of Communications Stock or Media Stock may be subject to backup withholding at a rate of 31% on the payment of dividends on such stock. Backup withholding will apply only if the holder (i) fails to furnish its Taxpayer Identification Number ("TIN") which, for an individual, would be his or her Social Security number, (ii) furnishes an incorrect TIN, (iii) is notified by the Service that it has failed properly to report payments of interest or dividends, or (iv) under certain circumstances, fails to certify under penalties of perjury that it has furnished a correct TIN and has not been notified by the Service that it is subject to backup withholding for failure to report payments of interest or dividends. Shareholders should consult their tax advisors regarding their qualification for a tax exemption from backup withholding and the procedure for obtaining such an exemption if applicable.

The amount of any backup withholding from a payment to a holder of Communications Stock or Media Stock will be allowed as a credit against such shareholder's federal income tax liability and may entitle such shareholder to a refund, provided that the required information is furnished to the Service.

Tax Implications of the Recapitalization Proposal to the Company

In the opinion of counsel, the Communications Stock and the Media Stock should be common stock of the Company and no gain or loss should be recognized by the Company on the Merger. If, however, either the Communications Stock or the Media Stock were treated as property other than stock of the Company, the Company may recognize gain on the issuance of the Communications Stock or the Media Stock, as the case may be, pursuant to the Merger in an amount equal to the difference between the fair market value of such stock and its adjusted tax basis in such stock. Furthermore, if the Communications Stock or the Media Stock were treated as stock of a subsidiary of the Company, the Communications Group or the Media Group, as the case may be, could not be included in a single consolidated federal income tax return with the Company, and any dividends paid or deemed to be paid to the Company by such Group could be taxable to the Company.

Restated Rights Agreement

Pursuant to a Rights Agreement (the "Rights Agreement"), dated April 7, 1989, as previously amended, by and between the Company and State Street Bank and Trust Company, as Rights Agent, preferred stock purchase rights (the "Existing Rights") were initially issued by the Board to all holders of Existing Common Stock. If the shareholders approve the Recapitalization Proposal, the Rights Agreement will be assumed by U S WEST Delaware and amended and restated in its entirety (as amended, the "Restated Rights Agreement"), to reflect the reincorporation of the Company in Delaware and the conversion of the Existing Common Stock into Communications Stock and Media Stock. Pursuant to the Merger Agreement and the Restated Rights Agreement, each share of Existing Common Stock, together with the Existing Right thereon, will be converted into one share of Communications Stock, together with a Communications Stock Preferred Stock Purchase Right (a "Communications Right"), and one share of Media Stock, together with a Media Stock Preferred Stock Purchase Right (a "Media Right"). The Communications Rights and the Media Rights are collectively referred to herein as the "Rights."

The Restated Rights Agreement will provide that, prior to the earlier of (i) the tenth business day (the "Ownership Trigger Date") after the first public disclosure that a person or group (including any affiliate or associate of such person or group) (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of Common Stock representing 20% or more of the total voting rights of the outstanding shares of Common Stock or (ii) the tenth business day after the commencement of, or announcement of the intent of any person or group to commence, a tender or exchange offer for shares of Common Stock representing 30% or more of the total voting rights of all outstanding shares of Common Stock (the earlier of such dates being called the "Distribution Date"), Communications Rights and Media Rights will be evidenced by the certificates representing shares of Communications Stock and Media Stock, respectively, then outstanding, and no separate Rights certificates will be distributed. Therefore, until the Distribution Date, the Communications Rights will be transferred with and only with the Communications Stock and the Media Rights will be transferred with and only with the Media Stock. For purposes of the Restated Rights Agreement, the total voting rights of the Common Stock shall be determined based upon the fixed voting rights of holders of outstanding shares of Communications Stock and Media Stock in effect at the time of any such determination. See "Description of Communications Stock and Media Stock — Voting."

Upon the close of business on the Distribution Date, the Rights will separate from the Common Stock, certificates representing the Rights will be issued and the Rights will become exercisable as described below. The Rights will expire on April 6, 1999 (the "Expiration Date"), unless earlier redeemed by the Company as described below.

Following the Distribution Date, registered holders of Rights will be entitled to purchase from the Company (i) in the case of a Communications Right, one one-hundredth (1/100th) of a share of Series A Preferred Stock at a purchase price of \$100, subject to adjustment (the "Series A Purchase Price"), and (ii) in the case of a Media Right, one one-hundredth (1/100th) of a share of Series B Preferred Stock at a purchase price of \$80, subject to adjustment (the "Series B Purchase Price").

Following the Ownership Trigger Date, the Rights would "flip-in" and (a) each Communications Right will entitle its holder to purchase, at the Series A Purchase Price, a number of shares of Communications Stock with a market value equal to twice the Series A Purchase Price and (b) each Media Right will entitle its holder to purchase, at the Series B Purchase Price, a number of shares of Media Stock with a market value equal to twice the Series B Purchase Price.

In the event, following the Ownership Trigger Date, (a) the Company merges or consolidates with another entity in which the Company is not the surviving corporation or in which shares of the outstanding Common Stock are changed into or exchanged for stock or assets of another person or (b) 50% or more of the Company's consolidated assets or earning power are sold (other than transactions in the ordinary course of business) (the date of any such event being an "Acquisition Trigger Date"), the Rights would "flip-over" and each Communications Right and each Media Right will

entitle its holder to purchase, for the Series A Purchase Price and Series B Purchase Price, respectively, a number of shares of common stock of such corporation or purchaser with a market value equal to twice the applicable Purchase Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. After an Ownership Trigger Date or an Acquisition Trigger Date, any Rights that are or were beneficially owned by an Acquiring Person (or any affiliate or associate of an Acquiring Person) will be null and void and any holder of such Rights (whether or not such holder is an Acquiring Person or an affiliate or associate thereof) will thereafter have no right to exercise such Rights.

At any time prior to the earliest of (i) the Ownership Trigger Date, (ii) the first Acquisition Trigger Date or (iii) the Expiration Date, if any person notifies the Company of such person's intention to make a cash tender offer for all the outstanding shares of Common Stock and complies with certain requirements set forth in the Restated Rights Agreement, including the delivery of evidence that all necessary financing therefor is firmly committed or otherwise available and an undertaking to pay the reasonable costs of any meeting of shareholders called in connection therewith, then the independent directors of the Company shall, within 15 business days, at their option, either (1) engage a nationally recognized investment banking firm to render an opinion as to whether the tender offer purchase price is fair and adequate to the Company's stockholders from a financial point of view, which opinion must be delivered to the Board within 20 business days following such engagement, or (2) call a meeting of stockholders at the earliest practicable date to vote upon such tender offer. If (a) the tender offer purchase price is determined by such investment banking firm to be fair and adequate to the stockholders from a financial point of view or (b) the tender offer is approved by a majority of the shares voted at such meeting of stockholders and beneficially owned by persons other than the offeror, then (i) neither the commencement of, nor the announcement of an intention to make, such tender offer will be taken into account in determining whether the Distribution Date has or has not occurred and (ii) the shares of Common Stock acquired pursuant to such tender offer shall not be taken into account in determining whether a person has become an Acquiring Person; provided, however, that a majority of the independent directors of the Company may suspend the operation of the foregoing clauses (i) and (ii) for a period of time not to exceed 180 days if they determine that such action is in the best interests of other stockholders of the Company.

At any time prior to the earliest of (i) the Ownership Trigger Date, (ii) the first Acquisition Trigger Date or (iii) the Expiration Date, the Board may, at its option, redeem all, but not less than all, of the then outstanding Rights at a redemption price of \$.005 per Right (the "Redemption Price"). On the date specified by the Board for the redemption of the Rights (the "Rights Redemption Date"), the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until the earliest of (i) the Ownership Trigger Date, (ii) the first Acquisition Trigger Date, (iii) the Rights Redemption Date or (iv) the Expiration Date, the Board may, without the approval of any holders of Rights, supplement or amend any provision of the Restated Rights Agreement in any manner, whether or not such supplement or amendment is adverse to any holders of Rights. At any time after the earlier of the Ownership Trigger Date or the first Acquisition Trigger Date but prior to the earlier of the Redemption Date or the Expiration Date, the Board may, without the approval of any holders of Rights, supplement or amend any provision of the Restated Rights Agreement in any manner so long as the interests of the holders of Rights are not materially and adversely affected thereby.

A copy of the form of the Restated Rights Agreement (which includes as Exhibit B-1 the Form of Rights Certificate for Communications Rights and as Exhibit B-2 the Form of Rights Certificate for Media Rights) will be filed with the Commission as an Exhibit to the Registration Statement of which this Proxy Statement forms a part and is incorporated by reference herein. A copy of the Restated

Rights Agreement will be available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Restated Rights Agreement.

Convertible Securities

Implementation of the Recapitalization Proposal will result in adjustment of the conversion rights of any security of the Company that is convertible into, or evidences the right to purchase, any shares of its common stock (a "Convertible Security"). Currently, the only Convertible Securities of the Company are its Liquid Yield Option Notes due 2011 ("LYONs"), which are convertible into shares of Existing Common Stock. Upon the Effective Time, each LYON will, as a result of the operation of adjustment provisions contained in the Indenture relating thereto (the "LYONs Indenture"), be convertible into one share of Communications Stock and one share of Media Stock for each share of Existing Common Stock into which the LYONs were convertible immediately prior to the Effective Time. A portion of the obligations represented by the LYONs will be allocated to and reflected on the financial statements of the Communications Group, with the remainder of such obligations allocated to and reflected on the financial statements of the Media Group. See "Annex VI — Communications Group — Combined Financial Statements — Note 4: Debt" and "Annex VII — Media Group — Combined Financial Statements — Note 10: Debt." If, upon conversion of a LYON into shares of Communications Stock and Media Stock, the ratio of the Market Value of the Communications Stock issued upon such conversion to the Market Value of the Media Stock issued upon such conversion is not equal to the ratio of the proportionate obligations of the Communications Group to the Media Group under the LYONs, then the financial statements of one Group will be credited, and the financial statements of the other Group will be charged, as applicable, with the amount of such difference.

Following the conversion of one class of Common Stock into the other class of Common Stock in accordance with the procedures set forth under "— Description of Communications Stock and Media Stock — Conversion and Redemption," each holder of a LYON will, upon conversion, pursuant to adjustment provisions contained in the LYONs Indenture, be entitled to receive the number of shares of capital stock of the Company which such holder would have owned immediately following such conversion if such holder had converted the LYON immediately prior to such conversion. Any redemption by the Company of either class of Common Stock will have the effects on the LYONs set forth under "— Description of Communications Stock and Media Stock — Conversion and Redemption — Effects on Convertible Securities."

For a description of the effect of any conversion or redemption by the Company of either class of Common Stock on any future Convertible Securities issued by the Company, see "— Description of Communications Stock and Media Stock — Conversion and Redemption — Effects on Convertible Securities."

Preferred Stock

Under the Articles, U S WEST is currently authorized to issue up to 50,000,000 shares of Existing Preferred Stock, of which 2,000,000 shares have been designated as the Existing Series A Preferred Stock and 50,000 shares have been designated as the Existing Series B Preferred Stock. Shares of Existing Series A Preferred Stock are reserved for issuance upon exercise of the preferred stock purchase rights described under "— Restated Rights Agreement." As of the date of this Proxy Statement, 50,000 shares of Existing Series B Preferred Stock were issued and outstanding, all of which were issued to Fund American in September 1994 in connection with the Company's disposition of common stock of Financial Security Assurance Holdings, Ltd. ("FSA"), a member of the Company's capital assets segment.

If the Recapitalization Proposal is adopted, the Company would be authorized under the Restated Certificate to issue 200,000,000 shares of Preferred Stock, of which 10,000,000 shares would be designated as Series A Preferred Stock, 10,000,000 shares would be designated as Series B Preferred Stock and 50,000 shares would be designated as Series C Preferred Stock. Pursuant to the Merger Agreement,

upon the Effective Time, each outstanding share of Existing Series B Preferred Stock will be automatically converted into one share of Series C Preferred Stock, which will have the same rights, preferences and restrictions as the Existing Series B Preferred Stock. The Series C Preferred Stock will be attributed to the Media Group. The Series A Preferred Stock and the Series B Preferred Stock will be reserved for issuance pursuant to the Restated Rights Agreement. See “— Restated Rights Agreement.”

Pursuant to the Articles, the Board may currently issue, without the approval of the holders of Existing Common Stock, shares of Existing Preferred Stock in one or more series, with each such series having such designations, relative rights, preferences and limitations, including voting and conversion rights, as are authorized by the Board. The Board will have the same rights under the Restated Certificate to issue shares of Preferred Stock and to fix the terms thereof without the approval of the holders of Common Stock.

The Existing Series B Preferred Stock entitles the holder to, and the Series C Preferred Stock, when issued upon conversion of the Existing Series B Preferred Stock in the Merger, will entitle the holder to, receive cumulative quarterly dividends when, as and if declared by the Board out of funds of the Company legally available therefor at the rate of \$70.00 per annum per share. Dividends accrue cumulatively, whether or not such dividends are declared or funds are legally available for payments of dividends. The Existing Series B Preferred Stock is, and after the Effective Time, the Series C Preferred Stock will be, mandatorily redeemable on September 2, 2004 for \$1000.00 per share plus accrued and unpaid dividends. All or a portion of such preferred stock may also be redeemed after September 2, 1999 at the option of the Company at specified redemption prices greater than \$1000 plus accrued and unpaid dividends and in certain other circumstances. At the option of Fund American, the Existing Senior B Preferred Stock is, and after the Effective Time, the Series C Preferred Stock will be, redeemable for shares of common stock of FSA.

For so long as any dividends are in arrears on the Existing Series B Preferred Stock or, following the Effective Time, on the Series C Preferred Stock, and until all dividends accrued on such preferred stock shall have been paid or declared and set apart so as to be available for payment in full thereof, and for so long as the Company fails to discharge the mandatory redemption obligations discussed above when such obligations are due, (i) the Company may not declare or pay any dividend on or make any distribution with respect to any class or series of preferred stock ranking on a parity with such preferred stock as to dividends (“Parity Stock”) or any class or series of capital stock ranking junior to such preferred stock as to dividends, including Existing Common Stock or Common Stock, as applicable (“Junior Stock”) or any warrants, rights, calls or options exercisable for or convertible into any Parity Stock or Junior Stock or set aside any money or assets for any such purpose (other than dividends in shares of Junior Stock) and (ii) neither the Company nor any subsidiary thereof may redeem, purchase or otherwise acquire any shares of Parity Stock or Junior Stock or any warrants, rights, calls or options exercisable for or convertible into any Parity Stock or Junior Stock, or make any payment to or make any amount available for any sinking or similar fund for such purpose (except by conversion or exchange of Convertible Securities into Junior Stock).

In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or otherwise, the holders of Existing Series B Preferred Stock and, after the Effective Time, the holders of Series C Preferred Stock shall be entitled to receive, in cash, out of the assets of the Company available for distribution to stockholders, \$1,000 per share, plus accrued and unpaid dividends, before any distribution shall be made to the holders of Junior Stock.

Following the Effective Time, the Board may at any time and from time to time, issue additional shares of Preferred Stock for any proper corporate purpose, which could include capital raising, payment of stock dividends or acquisition of businesses. In the event the Board decides to issue additional shares of Preferred Stock, the proceeds of such shares and the related obligations will be allocated to either the Communications Group or the Media Group. See “— Certain Management Policies” and “— Accounting Matters and Policies.”

Anti-Takeover Considerations

If the Recapitalization Proposal is approved and implemented by the Board, the DGCL, the Restated Certificate and the New Bylaws will contain provisions which could serve to discourage or make more difficult a change in control of the Company without the support of the Board or without meeting various other conditions. A summary of such provisions is set forth below. For a further discussion of the rights of stockholders of U S WEST Delaware under Delaware law, as well as a summary of the current rights of shareholders of U S WEST under Colorado law, see “— Comparison of Shareholder Rights.”

The Restated Certificate will provide for the issuance of Preferred Stock, at the discretion of the Board, from time to time, in one or more series, without further action by the stockholders of the Company, unless approval of the stockholders is deemed advisable by the Board or required by applicable law, regulation or stock exchange listing requirements. In addition, the authorized but unissued shares of Communications Stock or Media Stock will be available for issuance from time to time at the discretion of the Board without the approval of the stockholders of the Company, unless such approval is deemed advisable by the Board or required by applicable law, regulation or stock exchange listing requirements. One of the effects of the existence of authorized, unissued and unreserved Common Stock and Preferred Stock could be to enable the Board to issue shares to persons friendly to current management which could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of the Company's management. Such additional shares also could be used to dilute the stock ownership of persons seeking to obtain control of the Company.

The Restated Certificate will provide for a classified Board under which one-third of the total number of directors are elected each year and prohibit the removal of directors unless such removal is approved by the holders of 80% of the total voting power of the Communications Stock and the Media Stock. In addition, pursuant to the Restated Certificate, only the Chairman of the Board or the Board, and not the stockholders of the Company, will be permitted to call a special meeting of stockholders and no actions will be considered at such special meeting other than those specified in the notice thereof.

The Restated Certificate will contain a “fair price provision” pursuant to which the affirmative vote of the holders 80% of the total voting power of the Communications Stock and the Media Stock to approve certain business combinations involving the Company and certain significant stockholders. In addition, Section 203 of the DGCL will prohibit the Company from engaging in certain transactions with an “interested stockholder.” See “— Comparison of Shareholder Rights — Business Combinations Following a Change in Control.”

The New Bylaws will establish an advance notice procedure for stockholders to bring business before an annual or special meeting of stockholders of U S WEST. The New Bylaws will provide that a stockholder may present a proposal for action at an annual meeting of stockholders only if such stockholder delivers a written notice of the proposal, together with certain specified information relating to such stockholder's stock ownership and identity, to the Secretary of the Company at least 60 days before the annual meeting. In addition, the New Bylaws will provide that a stockholder may nominate individuals for election to the Board at any annual meeting or special meeting of stockholders at which directors are to be elected by delivering written notice, containing certain specified information with respect to the nominee and nominating stockholder, to the Secretary of the Company at least 60 days before the annual meeting or within 15 days following the announcement of the date of the special meeting.

The Restated Rights Agreement will permit disinterested stockholders to acquire additional shares of the Company or of an acquiring company at a substantial discount in the event of certain described changes in control. See “— Restated Rights Agreement.”

Certain provisions described above may have the effect of delaying stockholder actions with respect to certain business combinations. As such, the provisions could have the effect of discouraging open

market purchases of the Communications Stock and the Media Stock because they may be considered disadvantageous by a stockholder who desires to participate in a business combination. However, in the event the Board receives an unsolicited offer to purchase all or a portion of the businesses of a Group, the Board would consider such offer in accordance with its fiduciary duties.

Dissenters' Rights

Under Article 113 of the CBCA ("Article 113"), if the Recapitalization Proposal is approved and the Merger is consummated, holders of the Existing Common Stock and the Existing Series B Preferred Stock who exercise their dissenter's rights in accordance with Article 113 will be entitled to have the "fair value" of their shares paid to them in cash by complying with the provisions of Article 113. The following brief summary of Article 113 summarizes the procedures for demanding statutory dissenters' rights. This summary is qualified in its entirety by reference to Article 113, a copy of the text of which is attached to this Proxy Statement as Annex IV. The term "fair value" is defined in Article 113 to mean the value of the shares immediately before the Effective Time, excluding any appreciation or depreciation in anticipation of the Merger except to the extent that exclusion would be inequitable. Reference herein to "dissenters' rights" is a general reference to a shareholder's right to dissent to the Merger and obtain payment for the shareholder's shares in accordance with Article 113.

Who May Dissent

Each shareholder of Existing Common Stock and each shareholder of Existing Series B Preferred Stock may dissent to the Merger and obtain payment of the fair value of the shareholder's shares by following the procedures provided in Article 113 and summarized here. The rights of the shareholder may differ depending on whether the shareholder is a shareholder of record holding shares for two or more beneficial shareholders or the shareholder is a beneficial shareholder whose shares are held of record by one or more record shareholders, as follows:

(a) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the record shareholder's name only if the record shareholder dissents with respect to all shares beneficially owned by any one person and causes the Company to receive written notice which states (1) such dissent and (2) the name, address, and federal taxpayer identification number, if any, of each person on whose behalf the record shareholder asserts dissenters' rights.

(b) Except as provided in (c), a beneficial shareholder may assert dissenters' rights as to the shares held on the beneficial shareholder's behalf only if (1) the beneficial shareholder causes the Company to receive the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights, and (2) the beneficial shareholder dissents with respect to all shares beneficially owned by the beneficial shareholder.

(c) The exercise of dissenters' rights with respect to Existing Common Stock held in the SP/E and in the PAYSOP will be at the discretion of the record shareholder (Bankers Trust Company, as Trustee and fiduciary).

The Company may require that, when a record shareholder dissents with respect to the shares held by any one or more beneficial shareholders, each such beneficial shareholder must certify to the Company that the beneficial shareholder and the record shareholder or record shareholders of all shares owned beneficially by the beneficial shareholder have asserted, or will timely assert, dissenters' rights as to all such shares as to which there is no limitation on the ability to exercise dissenters' rights. Any such requirement will be stated in the "Dissenters' Notice" that is referred to below.

Requirements to Be Met by a Dissenter Before the Vote on the Recapitalization Proposal Is Taken

A shareholder who wishes to assert dissenters' rights must (a) cause the Company to receive, before the vote is taken on the Recapitalization Proposal, written notice of the shareholders' intention to demand payment for the shareholder's shares if the Recapitalization Proposal is implemented (the

"Shareholder's Notice of Intent to Dissent") and (b) not vote the shares in favor of the Recapitalization Proposal. A shareholder who does not satisfy the foregoing requirements is not entitled to demand payment for the shareholder's shares under Article 113.

Notice Required to Be Given by the Company to Dissenting Shareholders If the Recapitalization Proposal Is Approved

If the Recapitalization Proposal is approved, the Company will give a written dissenters' notice (the "Dissenters' Notice") to each shareholder who has complied with the provisions summarized above and who is entitled to demand payment for shares under Article 113. The Dissenters' Notice may be given before the effective date of the Merger and will in any event be given no later than ten days after the effective date of the Merger. The Dissenters' Notice will (a) state that the Recapitalization Proposal was approved and state the effective date or the proposed effective date of the Merger; (b) state an address at which the Company will receive a Payment Demand (as defined below) and the address of a place where certificates for certificated shares must be deposited; (c) inform holders of uncertificated shares to what extent, if any, transfer of the shares will be restricted after the Payment Demand is received; (d) supply a Payment Demand form for demanding payment for shares, which form will request the shareholder to state an address to which payment is to be made; (e) set the date (the "Payment Demand Date") by which the Company must receive the Payment Demand and certificates for certificated shares, which Payment Demand Date will not be less than thirty days after the date the Dissenters' Notice is given; (f) if the Company has chosen to impose such a requirement, state that, when a record shareholder dissents with respect to the shares held by any one or more beneficial shareholders, each such beneficial shareholder must certify to the Company that the beneficial shareholder, and the record shareholder or record shareholders of all shares owned beneficially by the beneficial shareholder, have asserted, or will timely assert, dissenters' rights as to all such shares as to which there is no limitation on the ability to exercise dissenters' rights; and (g) be accompanied by a copy of Article 113.

Dissenter's Procedures for Demanding Payment

If the shareholder has given a Shareholder's Notice of Intent to Dissent in accordance with the provisions summarized above and wishes to assert the shareholder's dissenters' rights (such a person being referred to in this summary as a "Dissenter"), the Dissenter must (a) cause the Company to receive a payment demand (the "Payment Demand," which may, but need not, be on the Payment Demand form provided by the Company with the Dissenter's Notice), duly completed, and (b) deposit the Dissenter's certificates for certificated shares; provided, however, that, if the shares are uncertificated shares, the Company may, in lieu of deposit of certificates, restrict the transfer of the shares. A Dissenter will have all rights of a shareholder, except the right to transfer the shares, until the effective date of the Merger but will have, after the effective date of the Merger, only the right to receive payment for the shares as to which payment has been demanded.

The Payment Demand and deposit of certificates by a Dissenter will be irrevocable unless (1) the effective date of the Merger has not occurred within sixty days after the Payment Demand Date, or (2) the Company fails to make payment to the Dissenter, within sixty days after the Payment Demand Date, of the amount the Company estimates to be the fair value of the Dissenter's shares, plus accrued interest. If the effective date of the Merger is more than sixty days after the Payment Demand Date, then the Company will be required to send a new Dissenters' Notice and the provisions summarized above will again be applicable.

If a Dissenter fails to demand payment and deposit certificates representing the shares as to which dissent is made, as required by the Dissenters' Notice, by the Payment Demand Date, the Dissenter will not be entitled to payment for the shares under Article 113 and will become a shareholder in U S WEST Delaware as if the Dissenter has not exercised any dissenters' right.

Payment for Shares

Upon the effective date of the Merger, or upon receipt of a Payment Demand given in accordance with the provisions of Article 113, whichever is later, the Company will pay each Dissenter who has complied with the requirements for demanding payment stated in Article 113, at the address stated in

the Payment Demand, or, if no such address is stated in the Payment Demand, at the address shown on the Company's current record of shareholders for the record shareholder holding the Dissenter's shares, the amount the Company estimates to be the fair value of the Dissenter's shares, plus accrued interest. The payment will be accompanied by: (a) the Company's balance sheet, statement of changes in shareholders' equity, statement of cash flow and other financial statements complying with the requirements of section 7-113-206(2)(a); (b) a statement of the Company's estimate of the fair value of the shares; (c) an explanation of how the interest was calculated; (d) a statement of the Dissenter's right to demand payment in accordance with the provisions of Article 113 regarding the Dissenter's Responsive Notice summarized below; and (e) a copy of Article 113.

Failure to Effect Merger

If the effective date of the Merger does not occur within sixty days after the Payment Demand Date, the Company will return the deposited certificates and release the transfer restrictions imposed on uncertificated shares. If the effective date of the Merger occurs more than sixty days after Payment Demand Date, then the Company shall send a new Dissenters' Notice, as provided in section 7-113-203, and the appropriate provisions of Article 113 shall again be applicable.

Shares Acquired After Announcement of Recapitalization Proposal

The Company may, in or with the Dissenters' Notice, state the date of the first announcement to news media or to shareholders of the terms of the Recapitalization Proposal (the "Announcement Date") and state that the Dissenter must certify in writing, in or with the Payment Demand, whether or not the Dissenter (or the person on whose behalf the Dissenter asserts dissenters' rights) acquired beneficial ownership of the shares before the Announcement Date. With respect to any Dissenter who does not so certify in writing, in or with the Payment Demand, that the Dissenter or the person on whose behalf the Dissenter asserts dissenters' rights acquired beneficial ownership of the shares before the Announcement Date, the Company may, in lieu of making payment for the shares, offer to make such payment if the Dissenter agrees to accept the payment in full satisfaction of the demand. Any such offer will include: (a) the Company's balance sheet, statement of changes in shareholders' equity, statement of cash flow and other financial statements complying with the requirements of section 7-133-206(2)(a); (b) a statement of the Company's estimate of the fair value of the shares; (c) an explanation of how the interest was calculated; (d) a statement of the Dissenter's right to demand payment in accordance with the provisions of Article 113 regarding the Dissenter's Responsive Notice summarized below; and (e) a copy of Article 113.

Procedure for Dissenter to Follow if Dissenter is Dissatisfied with Payment Made or Offered by the Company

A Dissenter may give notice (the "Dissenter's Responsive Notice") to the Company in writing of the Dissenter's estimate of the fair value of the Dissenter's shares and of the amount of interest due and may demand payment of such estimate (less any payment made by the Company as contemplated above) or may reject the Company's offer made as contemplated above with respect to shares acquired after the Announcement Date and may demand payment of the fair value of the shares and interest due, if: (a) the Dissenter believes that the amount paid or offered by the Company, as the case may be, is less than the fair value of the shares or that the interest due was incorrectly calculated; (b) the Company fails to make payment within sixty days after the Payment Demand Date, or (c) the Company does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares as required if the effective date of the Merger has not occurred within sixty days after the Payment Demand Date. A Dissenter waives the right to demand payment as outlined above unless the Dissenter causes the Company to receive the Dissenter's Responsive Notice within thirty days after the Company made or offered payment for the Dissenter's shares.

Court Action for Appraisal

If the Dissenter's demand for payment pursuant to the Dissenter's Responsive Notice remains unresolved, the Company may, within sixty days after receiving the Dissenter's Responsive Notice, commence a proceeding and petition the district court of Arapahoe county to determine the fair value of

the Dissenter's shares and accrued interest. If the Dissenter's demand for payment remains unresolved within that sixty day period and the Company does not commence the proceeding within that period, the Company must pay to the Dissenter the amount demanded in the Dissenter's Responsive Notice.

The Company shall make all Dissenters whose demands remain thus unresolved parties to the proceeding as in an action against their shares, and all parties shall be served with a copy of the petition in the manner provided in Article 113. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to such order. The parties to the proceeding are entitled to the same discovery rights as parties in other civil proceedings. Each Dissenter made a party to the proceeding will be entitled to judgment for the amount, if any, by which the court finds the fair value of the Dissenter's shares, plus interest, exceeds the amount paid by the Company, or for the fair value, plus interest, of the Dissenter's shares for which the Company elected to withhold payment under the provisions outlined above. The court will determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, and will assess the costs against the Company; except that the court may assess costs against all or some of the Dissenters, in amounts the court finds equitable, to the extent the court finds the Dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment. The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable, (a) against the Company and in favor of any Dissenters if the court finds the Company did not substantially comply with the requirements of part 2 of Article 113; or (b) against either the Company or one or more Dissenters, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided in Article 113. If the court finds that the services of counsel for any Dissenter were of substantial benefit to other Dissenters similarly situated, and that the fees for those services should not be assessed against the Company, the court may award to said counsel reasonable fees to be paid out of the amounts awarded to the Dissenters who were benefitted.

PROPOSAL 2 — AMENDMENT OF THE U S WEST 1994 STOCK PLAN

The holders of Existing Common Stock are being asked to consider and approve a related proposal to amend the U S WEST 1994 Stock Plan (the "Stock Plan") to provide for the granting of stock awards in either Communications Stock or Media Stock, or both.

It is proposed that the Stock Plan be amended to (i) clarify that grants of stock options and other stock awards made after the Merger may be made with respect to either Communications Stock or Media Stock, or both, in the same manner as currently permitted with respect to Existing Common Stock, (ii) set the number of shares of Communications Stock and Media Stock available for issuance under the Stock Plan, and (iii) set the number of shares of Common Stock with respect to which stock options and other stock awards may be granted to any individual in any calendar year. For the text of the Stock Plan as proposed to be amended, see Annex IX hereto.

Grants of Awards. Under the amended Stock Plan, grants of stock options and other stock awards made after the Merger may be made with respect to either Communications Stock or Media Stock, or both, in the same manner as currently permitted with respect to Existing Common Stock.

Limitation on Shares of Common Stock Available Under Stock Plan. Under the amended Stock Plan, up to 2,200,000 shares of Communications Stock and up to 1,485,000 shares of Media Stock may be granted in calendar year 1995 and the maximum number of shares of Communications Stock and Media Stock that may be granted in any other calendar year for all purposes under the Stock Plan shall be nine-tenths of one percent (0.90%) and three-quarters of one percent (0.75%), respectively, of the shares of such class outstanding (excluding shares held in the Company's treasury) on the first day of such calendar year, provided, however, that in the event that fewer than the full number of shares of either class available for issuance in any calendar year is issued in such year, the shares not issued shall be added to the shares of such class available for issuance in any subsequent year or years. If, for any

reason, any shares of Common Stock as to which stock options or other stock awards have been granted cease to be subject to exercise or purchase under the Stock Plan (other than the exercise of Stock Appreciation Rights (as defined in the Stock Plan) for cash), such underlying shares of Common Stock shall thereafter be available for grants under the Stock Plan during any calendar year.

Limitation on Awards to Any Individual. Under the amended Stock Plan, the maximum number of shares of Common Stock with respect to which stock options or other stock awards may be granted to any individual in any calendar year may not exceed five hundred thousand (500,000).

Federal Income Tax Consequences. An optionee will not realize taxable income upon the granting of a stock option pursuant to the Stock Plan, nor would the Company be entitled to a deduction at that time. There will be no realization of taxable income by an optionee upon the exercise of an incentive stock option (if exercised no later than three months after termination of employment in the case of retirement, and one year in the case of disability, and to the extent that the aggregate fair market value of Common Stock with respect to such incentive stock options, when first exercised, does not exceed \$100,000 during any calendar year) and the optionee's basis in the Common Stock will be the strike price under the option. If an employee exercises a stock option after these requisite periods, the stock option will be treated as a nonqualified stock option plan with the consequences described below in this paragraph. If an optionee sells or otherwise disposes of Common Stock received upon exercise of an incentive stock option after one year from the exercise date and two years from the date of grant of the incentive stock option (the "applicable holding period"), any gain or loss on the sale will be treated as long-term, and the Company will not be entitled to any deduction on account of the issuance of Common Stock or the grant of the incentive stock option. If, however, an employee does not hold the shares so acquired for the applicable holding period, the employee would recognize ordinary income equal to the excess of the fair market value of the Common Stock at the time of exercise over the exercise price and the balance, if any, of the employee's amount recognized on the disposition would likely be long-term capital gain (provided the Common Stock was held for more than one year). The Company would be entitled to a deduction in an amount equal to the ordinary income included by the employee. Upon exercise of a nonqualified stock option, an optionee will recognize compensation income in the amount of the excess of the fair market value of the Common Stock on the day of exercise over the stock option exercise price, and the Company will receive a corresponding deduction. The tax basis of any shares of Common Stock received upon exercise of a nonqualified stock option will be the fair market value of such shares on the date the stock option is exercised.

Adjustments of Existing Awards. If the Recapitalization Proposal is approved and implemented, outstanding awards previously granted under the Stock Plan based upon shares of Existing Common Stock will be adjusted so that each holder of an outstanding award will receive a corresponding award based upon shares of Media Stock, with such outstanding award to continue in effect as an award based upon shares of Communications Stock in lieu of Existing Common Stock. The aggregate pre-adjustment strike price of existing options or stock appreciation rights will be allocated between the existing options or stock appreciation rights (which will cover Communications Stock) and the newly issued options or stock appreciation rights (which will cover Media Stock) in a ratio to be determined by the Board's Human Resources Committee (the "Human Resources Committee").

Future Issuances Pursuant to Stock Plan. Following implementation of the Recapitalization Proposal, the Human Resources Committee may, in its discretion, grant awards with respect to Communications Stock, Media Stock, or both, in such amounts and types as it determines in accordance with the terms of the Stock Plan, as amended.

In determining whether awards in respect of Communications Stock, Media Stock, or both, are to be made to specific employees, it is anticipated that the Human Resources Committee will consider, among other things, the identity of the Group to which the employee in question provides services. It is also anticipated, however, that the Human Resources Committee will consider that employees should be granted awards based upon the success of the Company as a whole and that a policy of granting awards solely in respect of the class of Common Stock relating to the Group for which the employee provides

services may be counterproductive to the overall success of the Company. In addition, because of the complementary nature of the businesses of the Communications Group and the Media Group, it is anticipated that services performed in respect of one Group would have at least an indirect effect upon the business of the other Group. Accordingly, it is anticipated that the Human Resources Committee could decide that in order to provide the maximum incentive to employees regarding the overall success of the Company, it may be appropriate to grant awards consisting of shares of both classes of Common Stock to employees performing services for one Group. If the Human Resources Committee elects to grant awards to individual employees with respect to both Communications Stock and Media Stock, the allocation of such awards between the two classes of Common Stock will be at the Human Resources Committee's discretion. To the extent awards based upon one class of Common Stock are granted to employees of the Group relating to the other class of Common Stock, the issuance of shares of such class of Common Stock upon exercise of such awards will not be treated as an Inter-Group Interest and will dilute the holders of the other class of Common Stock.

In connection with the allocation of expenses related to and proceeds received upon the exercise of options awarded under the Stock Plan, such expenses and proceeds will be attributed to the Communications Group, in the case of options to purchase Communications Stock, and to the Media Group, in the case of options to purchase Media Stock.

The foregoing summary of the amendment to the Stock Plan is qualified in its entirety by reference to the full proposed text of the Stock Plan as set forth in Annex IX hereto. Proposal 2 is conditioned upon approval by shareholders of the Recapitalization Proposal. If the Recapitalization Proposal is not approved by shareholders and implemented by the Board, Proposal 2 will not be implemented. The Merger Agreement provides that U S WEST Delaware will succeed to all of the stock option and other benefit plans of U S WEST. The approval of the Recapitalization Proposal (which constitutes approval of the Merger Agreement) and Proposal 2 by shareholders of U S WEST at the Special Meeting will constitute approval of the Stock Plan by the stockholders of U S WEST Delaware.

The affirmative vote of not less than a majority of all the shares of the Existing Common Stock represented in person or by proxy at the Special Meeting is required for approval of Proposal 2. Your Board unanimously recommends a vote FOR Proposal 2.

PROPOSAL 3 — AMENDMENT OF THE U S WEST DEFERRED COMPENSATION PLAN

The holders of Existing Common Stock are being asked to consider and approve a related proposal to amend the U S WEST Deferred Compensation Plan (the "Compensation Plan"), as set forth in Annex X hereto.

If the Recapitalization Proposal is approved, it is proposed that the Compensation Plan be amended and restated to permit highly compensated employees designated by the Human Resources Committee of the Board of Directors to (i) defer salary and amounts paid under short-term incentive plans in "phantom units" of Communications Stock or Media Stock, or both, as well as in an interest-bearing cash account, and (ii) make transfers of deferred amounts among such accounts. A "phantom unit" is a notional share of common stock that represents a value equivalent to one issued and outstanding share of Communications Stock or Media Stock, as the case may be. Approximately 200 individuals are expected to be eligible for participation in the Compensation Plan. As amended, the Compensation Plan would also permit the Company to make matching contributions of amounts deferred by Compensation Plan participants pursuant to the same matching formula percentage that is available to a Compensation Plan participant under the SP/E (up to 83⅓% of deferred amounts may be matched by the Company under the SP/E). Up to 75% of salary and up to 100% of any short-term incentive plan payment would be eligible for deferral under the Compensation Plan.

Deferral Elections. Compensation Plan participants will have an opportunity to make annual, irrevocable deferral elections respecting salary and short-term incentive amounts to be paid in any calendar year. Up to 50% of amounts deferred may be allocated to a cash account, which will accrue interest at a rate of 1% over the prevailing rate of ten-year U.S. Treasury Notes (or 2% over such rate in